

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 129 – HB 526

March 3, 2023

SUMMARY OF BILL: Removes depreciation as an expense consideration when state loans are awarded to municipalities for construction or improvement of water and wastewater infrastructure projects.

FISCAL IMPACT:

Other Fiscal Impact – Any increase in revenue and expenditures for the State Revolving Fund and local governments cannot be quantified with reasonable certainty. Any impact on local governments is considered permissive.

Assumptions:

- The Tennessee Local Development Authority (TLDA) makes loans to municipalities for water and wastewater infrastructure projects through the State Revolving Fund Program (SRFP).
- Pursuant to Tenn. Code Ann. § 68-221-202(a), the TLDA can currently include depreciation expense as a consideration when determining the financial viability of the municipality receiving the loan and the ability of the system, for which the repayable grant is to be made, to generate user fees sufficient to pay the costs of operation, maintenance, and debt service of the system, including depreciation.
- These loans must be approved by the TLDA after application and determination that an entity is eligible under the rules and regulations of the Department of Environment and Conservation (TDEC). Removing depreciation as a consideration will not impact TDEC operations.
- Removing depreciation as a consideration will allow the TLDA to provide more loans to local governments. Local governments will pay principal and interest on the loans, resulting in net increases in expenditures. The SRFP will experience an increase in revenue.
- This legislation will likely result in an increase in state expenditures in SRFP loans and result in a subsequent increase in local government revenue.
- Based on multiple unknown factors, any additional loans, grants, or bonds issued, including interest resulting thereby, cannot be determined with reasonable certainty.
- The TLDA is administratively attached to the Comptroller's Office (COT).
- Based on information from COT, this legislation will have no significant impact on its operations.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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